

Financial Reporting in the Language of XBRL

The U.S. Securities and Exchange Commission (SEC) is replacing its 1980s-era EDGAR database with a new system of electronic filings based on XBRL—eXtensible Business Reporting Language. This system is designed to facilitate greater accuracy and control over data and permit easier analysis by the investment community. But learning a new language is never easy.

The following essays discuss some of the challenges—and opportunities—involved in filing financial statements in the language of XBRL. They are selected from our ongoing series, *Controllers' Corner: Two-Minute Essays on Financial Management and Control*. The authors are industry thought leaders who have extensive backgrounds in finance and accounting, and broad experience advising clients on financial processes and systems.



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Learning the Language of XBRL

Gary Simon, Group Publisher, FSN Publishing Limited

The U.S. Securities and Exchange Commission has decided to replace its 1980s-era EDGAR database with a new system of XBRL-based statutory filings. This will make collecting, analyzing and comparing financial information easier for the investment community. But the affected companies will now have to deliver quarterly and annual reports and other financial statements in XBRL.

Q. What should organizations do to make sure they can meet these new XBRL filing requirements?

The SEC's December 2008 decision to mandate the use of XBRL for statutory filings of listed companies in the United States has elevated the status of 'interactive data' from a side show into the mainstream of group financial reporting. While other geographies around the world had embraced the new technology, the initiative needed the endorsement of U.S. regulators to put it firmly on the map.

So, now that electronic filing using XBRL is here to stay, what are the practical implications? Well, for large filers the work begins right now with other enterprises following suit over the next two years.



Like many new initiatives, planning is the key to success. The name eXtensible Business Reporting Language, is quite a mouthful and it gives some clue to the difficulty that some users will face acclimatizing themselves to the language and its idiosyncrasies. It may take a while for users to familiarize themselves with the vocabulary of the XBRL world, such as "taxonomies," "extensions" and "instance documents". Laid bare in all of its glory, XBRL nomenclature and syntax can look quite forbidding.

Furthermore, the tools available for generating and using XBRL are relatively primitive compared to other applications in the accountant's kit bag. For example, tools are necessary to map (convert) ordinary US GAAP or IFRS account lines into XBRL in a manner that is consistent with the relevant standards. The output needs to be validated to ensure that the syntax is complete and end user tools are needed to read XBRL financial statements. Added to which, XBRL skills are in short supply.

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This all adds up to a need for significant investment in education in order to achieve the necessary level of competence in the finance function. What should organizations do?

Listed companies should start their preparations now, creating a dedicated project team focused on XBRL delivery. A project team should ideally comprise members of group finance with a deep understanding of the relevant GAAP or IFRS, a good understanding of the group accounts together with IT. Others with relevant input are likely to be suppliers of consolidation systems, XBRL tools and external auditors who may eventually (but not for the foreseeable future) have to attest to the accuracy of XBRL statements.

At an early stage, the assembled project team will need to examine vendor capability. Most suppliers of consolidation systems claim to be XBRL-ready, but few applications have been tested in anger. Furthermore, the market for tools is immature and product capabilities are likely to differ quite widely.

One of the first decisions will be to choose an appropriate XBRL tool for mappings and preparation of instance documents (i.e., valid XBRL documents). In parallel, the project team will need to design the process, controls and methodology governing the preparation and management of instance documents together with their submission to the SEC.

Attention will also need to be paid to the production of relevant notes to the accounts and possible extensions to XBRL taxonomies (dictionaries) to suit a particular industry. Throughout these steps it would be advisable to keep external auditors on side.

For the foreseeable future, the emphasis of XBRL initiatives will be on external reporting and disclosure. But the standardization to XBRL will bring opportunities to drive significant change in business processes. However, this will also need to be accompanied by harmonization of reporting standards. For example, US GAAP and IFRS are converging but there is still much progress to be made before improvements can be realized

fully. In the short term, companies could be stretched as investors start to use XBRL data in the public domain to challenge company statements and projections. But by a similar token, the public availability of competitor data in XBRL format could bring interesting opportunities for analysis, benchmarking and insight.

These are early days for XBRL but we are definitely entering a new era in financial reporting.

About Gary Simon

Gary Simon is the Group Publisher of FSN Publishing Limited, Managing Editor of FSN Newswire and the author of many product reviews and white papers on financial software. Simon is a graduate of London University, a Chartered Accountant and a Fellow of the British Computer Society with more than 23 years of experience implementing management and financial reporting systems. Simon was a partner with Deloitte for more than 16 years and has led some of the most complex information management assignments for global enterprises in the private and public sector. Gary Simon may be contacted at gary.simon@fsn.co.uk.

Delivering Financial Statements in XBRL

Denise Rabun, IBM Global Business Services

The U.S. Securities and Exchange Commission has decided to replace its 1980s-era EDGAR database with a new system of XBRL-based electronic statutory filings. It's believed that collecting, analyzing and comparing financial information electronically will better serve the investment community and facilitate greater accuracy and control over exchange data.

Q. What should finance organizations do to prepare for delivering financial statements using XBRL?

Taking into view the phased implementation of the SEC requirement, many early adopters of XBRL (eXtensible Business Reporting Language) will likely elect a "bolt-on" option for their 10K filings. That's understandable, given the short timeframe to implement this requirement.

The "bolt-on" option means that you can prepare your final statements and then tag the face and footnotes, based on U.S. GAAP taxonomy. However, come the end of each quarter, you will have to do the tagging all over again,



incurring additional costs. From this perspective, an "integrated" solution is by far the better approach. But it means rethinking and re-engineering your organization's information supply chain in two ways.

First, to the greatest extent possible, you will need to automate the organization and tagging of data for financial statement generation and filing.

Adapting to XBRL with an integrated approach is the way to gain maximum internal value and business ROI.

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Second, you will need to migrate the quarterly and annual close-to-file process from what is usually a nerve-racking, intense, manual exercise to one that requires only incremental updates.

Adapting to XBRL with an integrated approach is the way to gain maximum internal value and business ROI. It involves moving back the tagging of data to as early a stage in your organization's information supply chain as possible. This implies using XBRL Global Ledger in addition to XBRL Financial Reporting taxonomies. These two are complementary, but using XBRL GL will yield the capability to derive business value at the most fundamental and granular level of your business processes, while simultaneously allowing seamless integration of internal data into your external reporting.

There are, however, other things to consider in defining your roadmap to XBRL. One is the timing and extent of anticipated internal restructuring. In economically challenging times, such as we are experiencing now, your business may undergo significant changes to align with new market conditions, which in turn could impact your financial management and reporting processes.

Another consideration is your organization's approach and timeline for transitioning to IFRS. While the SEC rules governing the IFRS transition have not yet been finalized, the adoption of IFRS and XBRL need to be coordinated so that these two changes will cause minimal disruption within your accounting and finance function.

Adopting XBRL in an integrated fashion, while balancing increasing regulatory requirements and changing business imperatives, can yield significant payoffs in terms of accuracy, integrity, completeness and usefulness of data. This, coupled with savings in time and human effort, will be your real return on investment.

About Denise Rabun

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Reporting in XBRL—How much effort should it take?

Delbert Krause, Business Unit Executive, Cognos Software, IBM Information Management

The U.S. Securities and Exchange Commission has decided to replace its 1980s-era EDGAR database with a new system of XBRL-based electronic statutory filings. It's believed that collecting, analyzing and comparing financial information electronically will better serve the investment community and facilitate greater accuracy and control over exchange data.

Q. How should corporate finance organizations prepare for filing their financial statements in XBRL?

XBRL is a hot topic of conversation in finance teams, at executive board meetings, and among auditors and accounting associations. Simply put, XBRL (eXtensible Business Reporting Language) is becoming the electronic standard for financial information and data exchange that in the long run will simplify the distribution of information and ensure greater control.

With all the competing noise, it's important to step back and think about the right level of effort and investment that your company should commit to XBRL and where that investment will



have the most impact. Depending on an organization's current filing process and requirements, the effort needed may run from a small, incremental investment to a beneficial overhaul of key processes and systems involved in the creation of financial statements.

At IBM, our focus on financial management and control connects us to this challenge in a very direct way. In response to the question "how should I

prepare for XBRL?" we believe there are three important considerations.

- **First, review your existing filing procedures.** While converting all of your financial statements into XBRL format may seem somewhat daunting, the requirements may actually be quite simple, depending on your situation. XBRL is just one step in the filing process. For many, that process is time consuming and

e-mail intensive. But opportunities exist to enhance the document creation process through automation and collaboration. Rather than just layering XBRL output into your existing filing process, evaluate how XBRL and available XBRL conversion solutions could enhance the activities and collaboration involved in the filing process.

- **Second, evaluate the delivery** of financial statements with an important consideration – who should be focused on XBRL? While it may seem obvious that the responsibility lies with internal finance staff, perhaps this is a task that can be outsourced. Many companies rely on third-party providers to coordinate, publish and file external financial statements. Those same third-party filers may provide an XBRL conversion service, enabling your team to focus on other, higher value projects.

- **Third, evaluate your requirements in the context of financial consolidation.** If your existing consolidation process depends upon manual or spreadsheet-based systems, it may be time to renew the entire close, consolidate, report process. Simply layering on XBRL technology will not ensure the level of quality and control required by finance teams and auditors. Make sure that there is a strong foundation

of systems and controls for financial reporting, and then, if your financial consolidation process has adequate strength and control, managing XBRL may be simply a matter of connecting to solutions specially designed to provide XBRL output.

With that last thought in mind, if you are a current IBM customer, we recommend leveraging XBRL experts and solution vendors who have expertise in both the technology and the business requirements of XBRL-based financial statements. The ideal methodology is to leverage materials and *Performance Blueprints* from our Innovation Center.

The IBM Cognos® Innovation Center for Performance Management is our focal point for developing solution best practices and ensuring that they are available to our customers. As part of that mandate, *Performance Blueprints* that connect XBRL to IBM Cognos solutions are available to help customers extend the value of their technology investments in this important area.

The *IBM Cognos XBRL Performance Blueprint* delivers a unique advantage by deploying with our XBRL partners. These solution partners are totally focused on delivering XBRL output

within a continuously changing landscape of XBRL standards and evolving global regulations. *Blueprints* coordinated with vendor software solutions deliver a powerful and simple method to quickly deliver XBRL output.

XBRL is an important development in the ongoing drive for accurate, transparent and compliant financial reporting. At IBM, we strive to support our customers at all levels – from basic automation of XBRL output, to renewing the financial consolidation process in a way that guarantees accurate financial data, and finally, to automating the creation and management of all your external financial documents.

About Delbert Krause

Delbert Krause is the Business Unit Executive, Financial Performance Management Solutions for IBM. In addition to his formal training in finance, Mr. Krause has more than 20 years of experience in consulting, selling, and marketing performance management software solutions for finance, business and IT users. Mr. Krause can be reached at delbert.krause@ca.ibm.com.

Learn more about *Performance Blueprints* for financial management and control at the [IBM Cognos Innovation Center for Performance Management](#) website.

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